

AMENDED IN SENATE JUNE 14, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

Assembly Joint Resolution

No. 20

Introduced by Assembly Member John A. Pérez

May 13, 2013

Assembly Joint Resolution No. 20—Relative to student loan interest rates.

LEGISLATIVE COUNSEL’S DIGEST

AJR 20, as amended, John A. Pérez. Federal Direct Stafford Loans: interest rates.

This measure would request that the Congress and the President of the United States enact legislation ~~to maintain the interest rate of 3.4% for Federal Direct Stafford Loans~~ *that prevents the doubling of interest rates for Federal Direct Stafford Loans and creates a long-term legislative solution to maintain affordable and reliable federal student loan rates while preserving funding for other federal educational programs and benefits.*

Fiscal committee: no.

- 1 WHEREAS, Just last year, Congress passed, and President
- 2 Obama signed, an extension to maintain the interest rate for Federal
- 3 Direct Stafford Loans at 3.4 percent through June 30, 2013; and
- 4 WHEREAS, On July 1, 2013, unless actions are taken, the
- 5 interest rate for Federal Direct Stafford Loans will double from
- 6 3.4 percent to 6.8 percent; and
- 7 WHEREAS, This higher interest rate level is the same level that
- 8 graduate students and unsubsidized loan borrowers pay, which
- 9 could limit access to California’s public postsecondary educational

1 institutions by dissuading students from using loans to help pay
2 for their postsecondary education; and

3 WHEREAS, The average student loan borrower graduates with
4 a debt of \$27,000, and the scheduled interest rate increase for
5 Federal Direct Stafford Loans would cost almost 10 million
6 borrowers approximately \$1,000 more per year of education over
7 the life of a loan; and

8 WHEREAS, Raising the interest rate for Federal Direct Stafford
9 Loans will make it even harder for college graduates facing an
10 already difficult postgraduation job market to repay their loans;
11 and

12 WHEREAS, Student loan debt affects Americans of all ages,
13 as 45 percent of all American families hold outstanding student
14 loan debt, including 36 percent of families in households headed
15 by a person 45 to 54 years of age, inclusive, 29 percent of families
16 in households headed by a person 55 to 64 years of age, inclusive,
17 and 13.3 percent of families in households headed by a person 65
18 to 73 years of age, inclusive; and

19 WHEREAS, Student loan debt has a ripple effect on the
20 economy, as two million more adults 18 to 34 years of age,
21 inclusive, live in a household headed by their parents; and

22 WHEREAS, Each new household leads to an estimated \$145,000
23 of economic growth, suggesting that a delay in household formation
24 could be slowing broader economic growth; and

25 WHEREAS, The Bipartisan Policy Center estimates that Echo
26 Boomers—those born between 1981 and 1995—will account for
27 75 percent to 80 percent of owner-occupied home acquisitions by
28 2020, yet the current homeownership rate for young people is
29 among the lowest in decades while mortgage interest rates are at
30 historically low levels; and

31 WHEREAS, Student loan debt also has a significant impact on
32 retirement, as 62 percent of workers 30 to 39 years of age,
33 inclusive, 20 percent of whom hold more than \$50,000 in student
34 loan debt, are projected to have insufficient resources for
35 retirement; and

36 WHEREAS, According to the Congressional Budget Office,
37 the federal government makes 36 cents in profit for every dollar
38 it lends to all student borrowers, and student loans are estimated
39 to bring in \$34 billion next year alone; and

1 WHEREAS, Higher education loans should be used to subsidize
2 the cost of higher education, not to be used as a source of profit
3 for the federal government; and

4 WHEREAS, Federal Direct Stafford Loans have been a critical
5 component, in addition to other forms of financial aid, for low-
6 and middle-income students working towards a postsecondary
7 degree, and over two-thirds of student loan borrowers are from
8 families with annual incomes under \$50,000; now, therefore, be
9 it

10 *Resolved by the Assembly and the Senate of the State of*
11 *California, jointly, That the Legislature respectfully requests that*
12 *the Congress and the President of the United States enact legislation*
13 *to maintain the interest rate of 3.4 percent for Federal Direct*
14 *Stafford Loans that prevents the doubling of interest rates for*
15 *Federal Direct Stafford Loans and creates a long-term legislative*
16 *solution to maintain affordable and reliable federal student loan*
17 *rates while preserving funding for other federal educational*
18 *programs and benefits; and be it further*

19 *Resolved, That the Chief Clerk of the Assembly transmit copies*
20 *of this resolution to the President and Vice President of the United*
21 *States, to the Speaker of the United States House of*
22 *Representatives, to the Majority Leader of the United States Senate,*
23 *and to each Senator and Representative from California in the*
24 *Congress of the United States.*

O